

No. 22,679

IN THE

United States Court of Appeals
For the Ninth Circuit

SPRING CREST COMPANY, a corporation, THOMAS
A. STUBBLEFIELD, JAMES F. BROOKS, and
JOHN H. HANCOCK,

Appellants,

vs.

AMERICAN BEAUTI PLEAT, INC., a corporation,
and ORVILLE T. STALL,

Appellees.

Appeal from Judgment of the United States District Court
for the Central District of California

APPELLANTS' REPLY BRIEF

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In Appellees' Brief it is stressed over and over again that (save for a portion of Finding of Fact 21) the Findings of Fact are *uncontested*. The inference is that the Findings are completely dispositive of the matter and that there is no real basis for the appeal. This is not so. As worded, the statements of fact contained in the Findings are generally supported by the record. As a consequence, such statements have not been contested. However, the Findings are just as important for what they do not say as well as for what they do.

Merely as an illustration, defendants state on page 5 of their brief:

“The Stubblefield glide of the patent in suit has not replaced the prior ceiling glide [Ex. F], the prior button glide [Ex. G], nor the prior Wilcox snap-in glide [Ex. W] for drapery installations. The latter continue to be sold in quantity [*uncontested* Finding of Fact 26, Appendix].”

Factually, this statement is correct—but misleading. The present invention was made for a particular form of drapery installations, namely “close hook-up” installations using spring pleaters (R. 263). In this particular area, the new glide did replace the prior glides. This was true for plaintiffs’ glides (Ex. 31). This was true for defendants’ glide (Ex. AF). Although there was testimony that the prior art glides (Exs. F, G and W) are still being sold (R. 377-379), there is no evidence that such glides are being used for close hook-up drapery installations using spring pleaters. For that matter there is no testimony or evidence concerning the relative volumes of sales of the various glides so that the term “in quantity” has any particular meaning.

Thus, Finding of Fact 26 avoids the issue. It merely states (accurately) that the new glides have not replaced the prior art glides for “drapery installations” (which includes *all* kinds of drapery installations) and that such prior art glides are sold “in quantity”. The Finding does not say that the new glides have not replaced the prior art glides for close hook-up spring-pleated drapery installations. Indeed, if it had, such Finding would have been contested because it would be untrue.

Other instances in which the Findings are technically accurate but misleading are set forth below in reply to the points discussed in defendants' brief. The numbering below is the same as that used by defendants in their brief.

1. THE ISSUES BEFORE THIS COURT.

The thrust of defendants' argument on this point is not understood. The issues are those presented in the Specification of Errors in the opening brief, which are fully believed to be presented in proper manner.

For example, Error No. 2 states: "The District Court erred in holding claims 3 and 4 of Patent No. 3,090,431 invalid as being obvious under 35 U.S.C. 103." Such Specification of Error challenges Conclusions of Law VI and VIII. Such Specification of Error also challenges Findings of Fact 42 and 49 which are couched in the language of 35 U.S.C. 103, and are to be regarded as conclusions of law. *National Lead Co. v. Western Lead Products Co.*, 291 F.2d 447 (C.A. 9, 1961). Finding of Fact 27, relating to the "obviousness" of claims 1 and 2 is similarly a conclusion of law, and is challenged by Specification of Error No. 5.

Thus, when defendants state that all Findings of Fact (save No. 21) are uncontested, this is not so. The conclusions of law set forth in Findings of Fact 27, 42 and 49 are contested.

2. THE DISTRICT COURT ERRED IN HOLDING CLAIMS 3 AND 4 INVALID AS DEFINING AGGREGATIONS OR ACCUMULATIONS OF OLD PARTS OR ELEMENTS, WHICH, IN AGGREGATION, DO NOT PRODUCE ANY NEW OR DIFFERENT FUNCTION UPON BEING BROUGHT TOGETHER, AND IN WHICH THE WHOLE DOES NOT EXCEED THE SUM OF THE PARTS. (SPECIFICATION OF ERROR NO. 1)

In our opening brief, at pages 21-23, it has been pointed out fully that there is a new cooperation between the old spring pleater and new glides as the draperies are hung, as the draperies are opened and closed, and as the draperies are taken down for cleaning. There is also a new cooperation between the old track and new glides.

It is quite obvious that the District Court did not understand or appreciate these new cooperative functions, and believed that the only contribution of the invention was to keep the glides crosswise to the track.

“As I see it, the only thing that we have is this attaching of the glides to the undulating spring pleater so that the glides would remain crosswise to the track. The question I ask is, is that invention? That is what we are coming down to, whether that is invention.” (R. 630)

Significantly, there are *no* Findings of Fact which support the conclusion that there is no new cooperative result. Defendants refer to *uncontested* Findings of Fact 30-32 (Tr. 279-281), which state in essence that the ceiling track and spring pleater are old and unchanged elements and that prior glides have been fastened in the same holes in the old spring pleater and used with the old track to support draperies. This is true. However, the Findings do not say that they function together in the same manner and obtain the same results. If the

Findings did so say, they would be contrary to the evidence.

Defendants also claim that the established and *uncontested* Findings 33-41 and 43-48 (Tr. 281-284) show that old elements taken from the prior art operate in the same manner as the three elements of claims 3 and 4, to achieve the same results. Such contention must be taken with a grain of salt. Findings 33-41 state no more than that it is possible to take the glide of the Silverman patent from the particular track in which it was designed to operate, *change the design of the glide*, then put it into a different track and use it (for the first time) with a spring pleater. Findings 43-48 similarly state that it is possible to take *a portion of the glide* of the Lounsbury patent, put it into a different track than that in which it was designed to operate and use it (for the first time) with a spring pleater. These Findings then state that such new combinations would operate in the same manner as the three elements of claims 3 and 4, to achieve the same results.

These Findings merely say that it is now possible to find elements in the prior art which, when assembled together, will duplicate the patented invention. They do *not* say that the prior art operated in the same manner as, and prior to, the patented invention.

3. THE TRIAL COURT ERRED IN HOLDING CLAIMS 3 AND 4 INVALID AS OBVIOUS. (SPECIFICATION OF ERROR NO. 2)

It is still quite plain that the Trial Court did not base its decision on the question of obviousness under 35 U.S.C. § 103. On the last day of trial, and during the

course of final arguments, the Court stated: "I am not interested in the ordinary skill of the art . . ." (R. 650). Very shortly thereafter, in the same court session and at R. 668, the Court held the patent invalid. The only reason assigned was that there was "no invention in this case." Taken in context with the Court's remarks at R. 639: "I know, but you can't claim anything from the spring pleater. There is nothing there that you have done that you have added to the spring pleater. You haven't even added a hole to the spring pleater.", it is evident that the only reason for the Court's holding of "no invention" is that the Court erroneously believed the combination including an old, unchanged spring pleater to be unpatentable.

In its argument here defendants state that the present invention is "obvious" in view of a Lightenburger glide (Ex. S). There is no substantiation for this conclusion in any of the Findings of Fact. Moreover, the Lightenburger glide (Ex. S) is not prior art—the record is clear that such glides were made as an experiment and never sold nor installed (R. 358-359).

4. THE DRAPERY ASSEMBLY OF CLAIMS 3 AND 4 WAS NOT OBVIOUS IN VIEW OF ALL OF THE PRIOR ART INCLUDING THE SILVERMAN AND LOUNSBURY PATENTS (SPECIFICATION OF ERROR NO. 2)

The reasons for our position on this are fully set forth at pages 24 to 33 of the opening brief and need not be repeated here.

We do wish to take exception to defendants' statement (page 20 of their brief):

“Thus, ‘the difference between the prior art and the claims in issue’ (*Graham v. John Deere Co., supra*) is the substitution of other prior glides (Silverman and Lounsbury type glides) for and in place of other prior glides, in the *same* holes in the old spring pleater, for use with the old slotted track.”

This is not the difference that we have here. There is no substitution of a Silverman or Lounsbury glide into combination with a spring pleater and standard track in place of the prior art glides which had been used in such combination. Such a substitution would be inoperative, as discussed in the opening brief.

Instead, the difference is this. The Silverman and Lounsbury patents disclose glides attached to curtains without spring pleaters and riding in specially shaped tracks, and incapable of obtaining the results achieved by the present invention. The “substitution” referred to by defendants is the taking of the Silverman or Lounsbury glides, modifying the Lounsbury glide or taking a part only of the Lounsbury glide so that they will work in a combination in which they had never been used before, and then putting them into such a combination to achieve results never before obtained.

We well recognized that the ordinary man skilled in the art is presumed to have knowledge of the prior art. But the ordinary man is only interested in prior art to the extent that it provides solutions to his present problems. The Silverman and Lounsbury patents simply do not provide solutions to close hook-up drapery installation problems.

5. THE DISTRICT COURT ERRED IN ADOPTING FINDING OF FACT NO. 21 IN FULL. (SPECIFICATION OF ERROR NO. 3)

This error of the Court has been fully discussed in the opening brief.

6. THE DISTRICT COURT ERRED IN REFUSING TO DISMISS THE COUNTERCLAIM INSOFAR AS IT RELATES TO CLAIMS 1 AND 2. (SPECIFICATION OF ERROR NO. 4)

There simply is no controversy here as to claims 1 and 2 (to the specific glide shown in the patent in suit).

Regardless of any interpretation of early charges of infringement (which never specifically mentioned claims 1 and 2), by May 24, 1966, *more than a year prior to trial*, plaintiffs' charge of infringement had been limited to claim 3 (Tr. 50). In Defendants' Pre-Trial Statement of July 12, 1966, *eleven months prior to trial*, one of the issues to be tried by the Court was stated to be "Is patent 3,090,431 and particularly claim 3 thereof, valid?" (Tr. 108, par. 4).

The issue of validity and infringement of claims 1 and 2 here is completely moot. Regardless of the outcome of this case, plaintiffs can never hereafter contend that defendants' glide infringes claims 1 and 2. What, then, can be defendants' interest in these claims?

The only possible explanation that we can see for defendants' present insistence upon an advisory opinion of invalidity of claims which it is not infringing is a desire on their part to hereafter copy the particular construction of the glide shown in and claimed by claims 1 and 2 of the patent if the invalidity thereof is upheld. This Court should not be used for such purposes.

7. THE DISTRICT COURT ERRED IN HOLDING CLAIMS 1 AND 2 INVALID AS "OBVIOUS". (SPECIFICATION OF ERROR NO. 5)

The glide defined by claims 1 and 2 is a specific glide invented by Mr. Stubblefield for close hook-up installations. Among its advantages were the facts that it combined a glide and connector means (for attachment to a spring pleater) into a single unit. When secured to a spring pleater, it can be locked thereto so that the glide is held solidly thereto without horizontal or vertical rotation relative to the pleater (R. 91). Before the invention, glides had always been attached to draperies by separate pin on hooks or by post and grippers. These had to be handled by the workman separately from the glides (R. 37-39) and in the case of post and grippers, the parts would often pop off and become lost (R. 92).

Claims 1 and 2 contain many limitations as to the construction of the glide, such as its fulcrum portion, pin seat means spaced below the fulcrum portion, a resilient pin mounted on the fulcrum in such manner that a portion of the pin can cooperate with the pin seat means for locking and unlocking, and so forth.

The prior art produced at the trial is completely devoid of anything suggestive of what is set forth in claims 1 and 2, and the Findings of Fact are silent as to any reasoning whereby these claims should be held to be obvious.

The only Findings touching upon this point are Findings of Fact 25, 26 and 27 (Tr. 276-277). Finding of Fact 25 says that there have been many types of glide and many types of pins used before, specifying the glides

shown on pages 18 and 19 of the catalog Exhibit I and the Silverman and Lounsbury patents (Exs. K and M), and specifying the pins of the two patents (Exs. K and M) and post and grippers.

In contrast to the device of claims 1 and 2, *all* of these prior art devices use separate pins to attach the glides to draperies. *None* shows a combined glide and connector means, much less one having a fulcrum means, or pin seat or resilient pin mounted thereon in such a manner that it can lock or unlock.

Finding of Fact 26 states that the Stubblefield glide has not replaced the prior art glides for drapery installations and that the prior art glides are still sold in quantity. As pointed out previously, we are here concerned with close hook-up drapery installations, not the complete field of drapery installations.

Finding of Fact 27 merely states that claims 1 and 2 do not constitute an invention over the prior art, because the resilient pin attachment means is merely a change in degree for accomplishing the same result.

There still is no basis or explanation in the record for what this "change of degree" is, nor what the "same result" is. A specific design of a one-piece lockable glide and connector means is not the same thing as a conventional glide with a separate unlockable post and gripper. This Finding sheds no more light than one which might say, "Apples and bananas are merely changes in degree of fruit for the purpose of being eaten."

Finding of Fact 27 concludes with a paraphrase of § 103 and states that the subject matter of claims 1 and

2 is obvious. Again, this is purely conclusionary and unhelpful in indicating upon what basis the conclusion was reached.

Defendants suggest in their brief that the claims 1 and 2 should be held invalid because counsel for plaintiffs stated that glides other than that of the patent in suit could possibly be attached in a thousand ways to a spring pleater. The rationale for defendants' suggestion eludes us. The statement is hardly testimony, and probably an overstatement anyway. In any event, such statement should be interpreted as meaning there are a thousand ways to attach a glide incorrectly, but only one way—the patented way—to do it right.

**8. THERE HAS BEEN NO PATENT MISUSE HERE.
(SPECIFICATION OF ERROR NO. 6)**

The basis for the conclusion of "patent misuse" is the existence of the July 2, 1962 license agreement (Ex. P) between plaintiffs Stubblefield, Brooks and Hancock as licensors and plaintiff Spring Crest Company as licensee, and the activities of the plaintiffs relative thereto.

The facts are simple. Under this agreement, the licensors agreed to license Spring Crest exclusively and Spring Crest agreed to pay royalties on (a) various items of patented drapery hardware invented by Stubblefield for Spring Crest and (b) various items of unpatented drapery hardware developed in whole or in part for Spring Crest by Stubblefield. Prior to the agreement, Stubblefield had assigned his interest in his

inventions and developments to Brooks and Hancock (Ex. P) for reasons not in the record here.

This was the only compensation received by Stubblefield for his work (R. 598-599). Royalties were paid on both patented and unpatented items.

By the agreement, Mr. Stubblefield also agreed not to, and refrained from, licensing or inducing others to make, use or sell the specific items which Stubblefield had designed and licensed exclusively to Spring Crest (Findings of Fact 60, 61, Tr. 287, 288). There is nothing contrary to public policy in this. "In the absence of express provisions to the contrary, the grant of an exclusive license implicitly precludes the patent owner from competition with the licensee in the patented product." *Bengar Laboratories, Limited v. R. K. Laros Company*, 209 F.Supp. 639 (D.C. Pa., 1962). Here the agreement merely makes express what would otherwise be implied. No difference in principle is seen whether the licensed articles are patented or unpatented, or both.

There was no coercion here. The licensees did not refuse to grant a license under the patent in suit unless the licensor agreed to pay royalties for the unpatented items developed by Stubblefield, nor did the licensee seek such a license (R. 599-600). Instead, the licensee agreed willingly to pay royalties on all items developed for it by Stubblefield.

Yet, this agreement, wherein a designer is compensated for his efforts, is now characterized by defendant as "a scheme to expand a patent beyond its legitimate scope" and a subversion of public policy.

Plaintiffs have been and still are unaware of any authority which condemns this simple situation. The cases cited in Conclusion of Law XI certainly do not.

Mercoid Corp. v. Mid-Continent Investment Co., 320 U.S. 661, 64 S. Ct. 268, presented a situation wherein a licensor licensed its patent in such way that the patented combination could only be made using unpatented switches made by the licensor. This, of course, prevented anyone else from making unpatented parts for use in the patented combination, and thus was a use of the patent to control manufacture of unpatented parts. Here the licensors Stubblefield et al. do not manufacture anything, nor is there any requirement that the licensee, Spring Crest, buy or obtain any parts from the licensors.

Mercoid Corp. v. Minneapolis-Honeywell Regulator Co., 320 U.S. 680, 64 S.Ct. 278, held it to be a patent misuse wherein the licensor licensed switch manufacturers in such manner that the patented combination could be made using only unpatented switches manufactured by the licensees. In the present situation, the agreement (Ex. P) contains no such provision. There is no requirement that the licensee, Spring Crest, must use unpatented parts manufactured by Spring Crest and Spring Crest alone in the combination of the patent in suit. Anyone else is perfectly free to manufacture and sell such parts for use in the patented combination.

Vitamin Technologists v. Wisconsin Alumni Research Foundation (9 Cir. 1945), 146 F.2d 941, is a case wherein it was held to be patent misuse to refuse, by a licensing program, to allow Vitamin D to be added to Oleomargarine. This case has utterly no application here.

Moreover, for "patent misuse" to exist, there must be some showing that the patent has been used in an attempt to control competition in unpatented goods.

McCullough Tool Co. v. Well Surveys Inc., 343 F.2d 381 (C.A. 10, 1965).

"* * * However, in order to constitute a misuse, there must be an element of coercion, such as where there has been a request by a prospective licensee for a license under less than all of the patents and a refusal by the licensor to grant such a license. *Automatic Radio Mfg. Co. v. Hazeltine Research Inc.*, 339 U.S. 827, 70 S.Ct. 894, 94 L.Ed. 1312. * * *"

The facts here show no such coercion (and indeed show to the contrary, R. 599-600), nor do they show any attempt by the licensors to control the manufacture, use or sale of unpatented parts by means of the patent in suit.

Defendants have certainly failed to cite any authority condemning, or to advance any reason for condemning, a willing agreement of a company to pay a designer for products, both patented and unpatented, which the designer has made for the company. This Court should not now declare such a situation to be against public policy.

9. THE DISTRICT COURT ERRED IN FAILING TO FIND CLAIM
3 WAS INFRINGED. (SPECIFICATION OF ERROR NO. 7)

The reasons for this error are adequately covered in the opening brief.

CONCLUSION

For the reasons expressed in Appellants' Opening and Reply Briefs, appellants respectfully request this Court to reverse the judgment of invalidity as to claims 3 and 4, to strike the portion of the judgment of invalidity of claims 1 and 2, to reverse the holding of patent misuse, and to hold that claim 3 of the patent in suit is valid and infringed by appellees.

Dated, San Francisco, California,
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